

Message Text

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PAGE 01 CAIRO 01284 311106Z

14

ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 EB-07 ABF-01 NSC-05 L-03 PRS-01

OC-05 CCO-00 SP-02 AID-05 CIEP-01 SS-15 STR-04 OMB-01

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9681

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DEPT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, EG

SUBJECT: CENTRAL BANK GOVERNOR'S VIEWS ON US

POUND HOLDING

REF: STATE 19225

1. EMBECONOFF MATTOX AND I MET WITH CENTRAL BANK GOVERNOR ZANDOU JANUARY 31 AND MADE POINTS CONCERNING TRANSFER OF LE 10 MILLION TO CHASE NATIONAL, OUR WISH TO RECEIVE HIGHER INTEREST RATE ON OUR DEPOSITS AND PROPOSED DESTERILIZATION OF TEN TO TWENTY PERCENT OF OUR LE HOLDINGS FOR USE BY PRIVATE SECTOR, LEAVING WITH HIM AIDE MEMOIRE ON SUBJECT (TEXT BY POUCH).

2. PREDICTABLY, ZANDOU WASN'T HAVING ANY. INSTEAD HE MADE STRONG PITCH FOR DEPOSIT OF ALL US-OWNED POUNDS IN CENTRAL BANK ACCOUNT AND REFERRED INTEREST ISSUE TO MINFIN. HE NOTED THAT CENTRAL BANK CONTROL OF HOLDINGS WOULD PERMIT BETTER FINANCIAL MANAGEMENT AND MORE LEVERAGE IN BRINGING ABOUT SOUND GOE CREDIT POLICY. PRIVATE SECTOR, HE SAID, DOES NOT NEED LE LOAN FUNDS, HICH COULD

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PAGE 02 CAIRO 01284 311106Z

RESULT FROM UNBLOCKING PORTION OF UR ACCOUNTS,

BUT RATHER FOREIGN EXCHANGE. THERE IS NO SHORTAGE
OF LOCAL CURRENCY FOR PRIVATE SECTOR TO DRAW UPON.
IN SUM, ZANDOU DECIDELY BELIEVES TIME IS NOT NOW
FOR AGREEMENT ON MATTERS THAT WE RAISED; HE SUGGESTED
THAT MODIFICATION OF ARRANGEMENTS ON OUR SURPLUS
CURRENCY HOLDINGS COULD MORE USEFULLY BE DISCUSSED
AFTER GOE HAS REFORMED ITS FINANCIAL POLICIES SO
AS TO CONTROL BUDGET DEFICITS AND INFLATION.

3. I EXPECT TO TAKE UP QUESTION WITH MINFIN ABU
ISMAIL AT EARLY DATE, BUT DO NOT EXPECT HIS
REACTION TO BE MARKEDLY DIFFERENT. EILTS

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Message Attributes

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